



LEGISLATIVE BUDGET BOARD

Changes to Teacher Retirement System Contributions, 86th Legislature

SIGNIFICANT CHANGES

BY THE

86TH

LEGISLATURE

SENATE BILL 12 increases required contribution rates to TRS for the state, public education employers, and members. The legislation also **expands the employer contribution** to apply to all public education employers. Previously, only public education employers not participating in Social Security were required to make the contribution. Additionally, SB 12 requires TRS make a **onetime additional payment (or “13th check”)** to certain annuitants equal to the lesser of the member’s monthly annuity payment or \$2,000.

HOUSE BILL 3, the school finance reform legislation, requires **charter schools and districts of innovation** to **pay the state contribution** on payroll amounts that would exceed the Minimum Salary Schedule (MSS) if staff were employed by school districts. Previously this requirement only applied to school districts. The legislation also requires certain public education employee **pay raises**, which result in additional contributions to and liabilities for TRS.

PROJECTED FUNDING PERIOD



29 YEARS

AS OF AUGUST 31, 2019

ONETIME 2019 ADDITIONAL ANNUITY PAYMENT

REGULAR PAYMENT up to \$2,000

COST TO THE STATE

\$589.0 MILLION

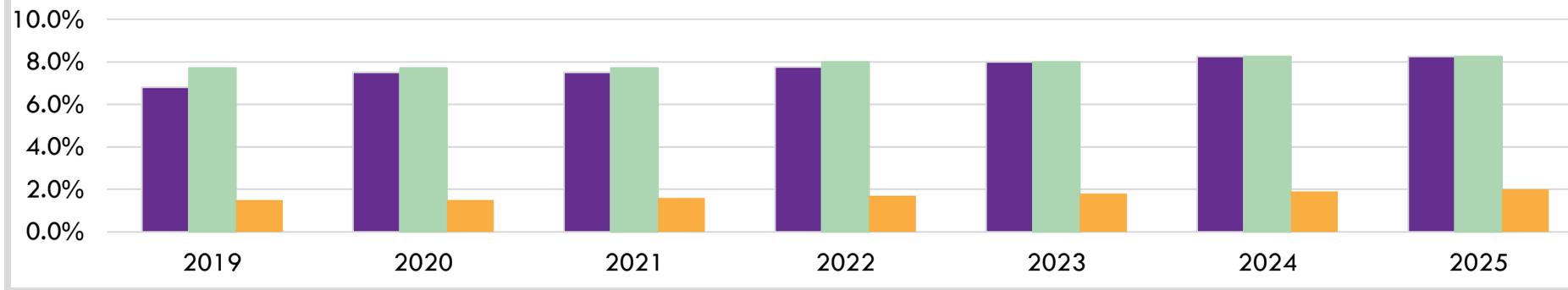
Other Funds (Economic Stabilization Fund)

2020-21 ADDITIONAL STATE CONTRIBUTIONS

\$524.0 MILLION

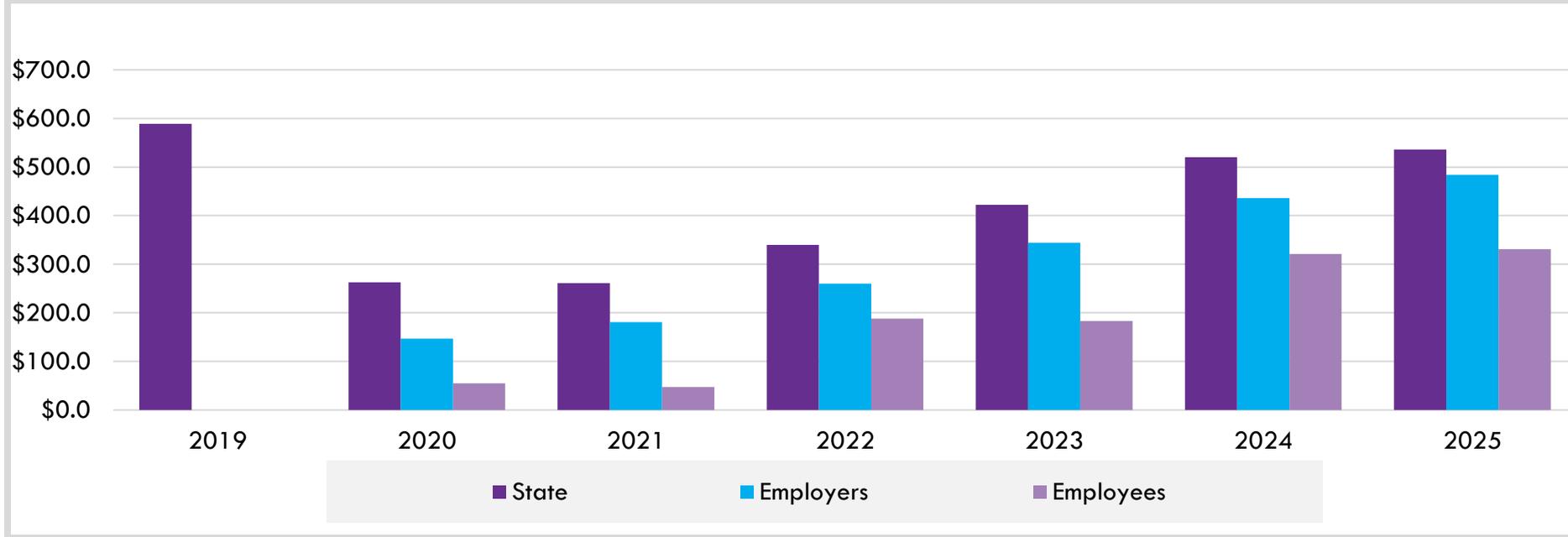
Other Funds (Economic Stabilization Fund)

TRS RETIREMENT CONTRIBUTION RATES (PERCENT OF PAYROLL)



SOURCE	2019	2020	2021	2022	2023	2024	2025
STATE	6.8%	7.5%	7.5%	7.75%	8.0%	8.25%	8.25%
EMPLOYEES	7.7%	7.7%	7.7%	8.0%	8.0%	8.25%	8.25%
PUBLIC EDUCATION EMPLOYERS	1.5%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%

PROJECTED ADDITIONAL CONTRIBUTIONS DUE TO SENATE BILL 12 (MILLIONS)



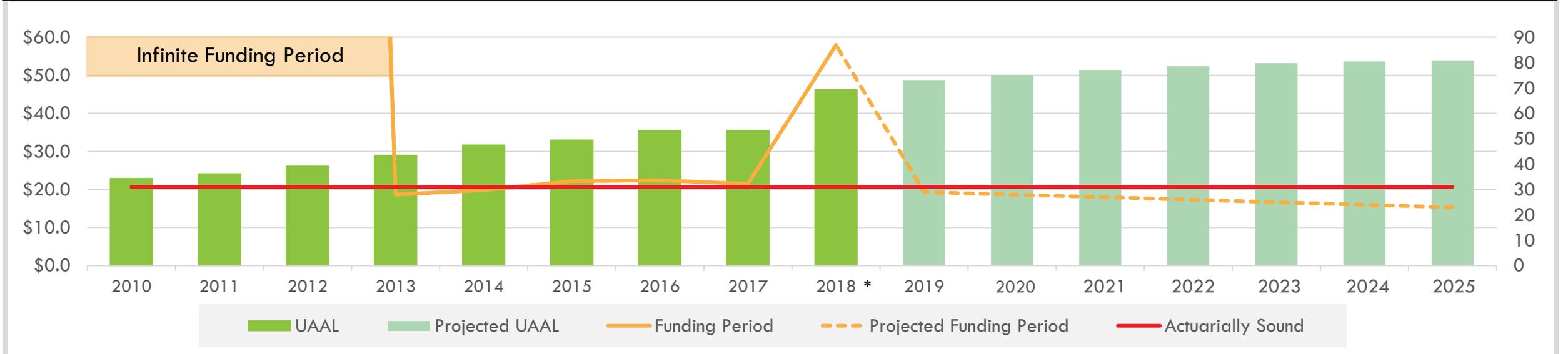
NOTES:

(1) State category includes appropriations from the Economic Stabilization Fund to fund the onetime additional annuity payment during fiscal year 2019 and to cover additional required contributions for fiscal years 2020-21. Amounts for fiscal years 2022-25 are projected additional General Revenue appropriations.

(2) Employers category includes amounts paid by public and higher education employers towards the state contribution as required by statute and the public education employer contribution.

Source: May 2019 GRS Retirement Consulting Actuarial Impact Analysis of SB 12.

UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) (BILLIONS) AND FUNDING PERIOD (YEARS)



* Note: The increases in UAAL and funding period in fiscal year 2018 are due to the TRS Board of Trustees decreasing the investment return assumption from 8.0 percent to 7.25 percent.